



Director of
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② CHINA-US: Restrictions on Imports

3 *China's restrictions on imports of three commodities from the*
 1/2 *US are designed to influence the future negotiations on textiles*
without seriously damaging economic relations. []

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3 Beijing has announced it will not sign new contracts for US cotton, synthetic fiber, and soybeans and will scale back plans for other agricultural imports. It says this action is in response to the restrictions the US recently imposed on Chinese textiles after a breakdown in bilateral trade talks. The Chinese still are emphasizing they want to continue negotiations. []

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2 Comment: The restrictions imposed by Beijing are the strongest response so far to US textile quotas. The commodities China is restricting, however, apparently were carefully selected to have little effect on trade. China had greatly reduced its purchases of US cotton and soybeans several months ago and was not expected to buy more soon because of bumper harvests at home. []

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2 Rising production also caused China to reduce its purchases of synthetic fiber substantially. On the other hand, a reduction in imports of agricultural products such as grain and wood, which totaled \$2 billion last year, would have more serious implications for Sino-US economic relations. []

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1/2 The Chinese already have threatened US wood products firms with cutbacks, but they state privately they will honor existing contracts for US grain, which total 2 million tons. They have not received these 2 million tons, and, in view of opportunities to purchase grain from other sources, they could stay out of the US market for the next few months. The Chinese may use this occasion to demand concessions from the US while waiting for more favorable US grain prices. []

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FRANCE - WEST GERMANY: Bilateral Relations

President Mitterrand and Chancellor Kohl will use their exchange of visits today and tomorrow to commemorate the 20th anniversary of the Franco-German Friendship and Reconciliation Treaty, to reiterate their commitment to improve bilateral cooperation, and to coordinate strategy on INF. [redacted]

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Comment: During his address today to the Bundestag, Mitterrand probably will endorse the Kohl government's support for the dual-track decision on INF by emphasizing West European security depends on reestablishing a balance of military forces in Europe. He may cite France's recent efforts to widen defense cooperation with West Germany as one example of how their bilateral ties can help to strengthen the Alliance. [redacted]

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[redacted]

French officials are seriously concerned that the Soviets will use any West German wavering on the INF issue as a first wedge in their attempts to split the Alliance on a broad range of political, security, and economic questions. These concerns are shared by many prominent French opposition leaders. [redacted]

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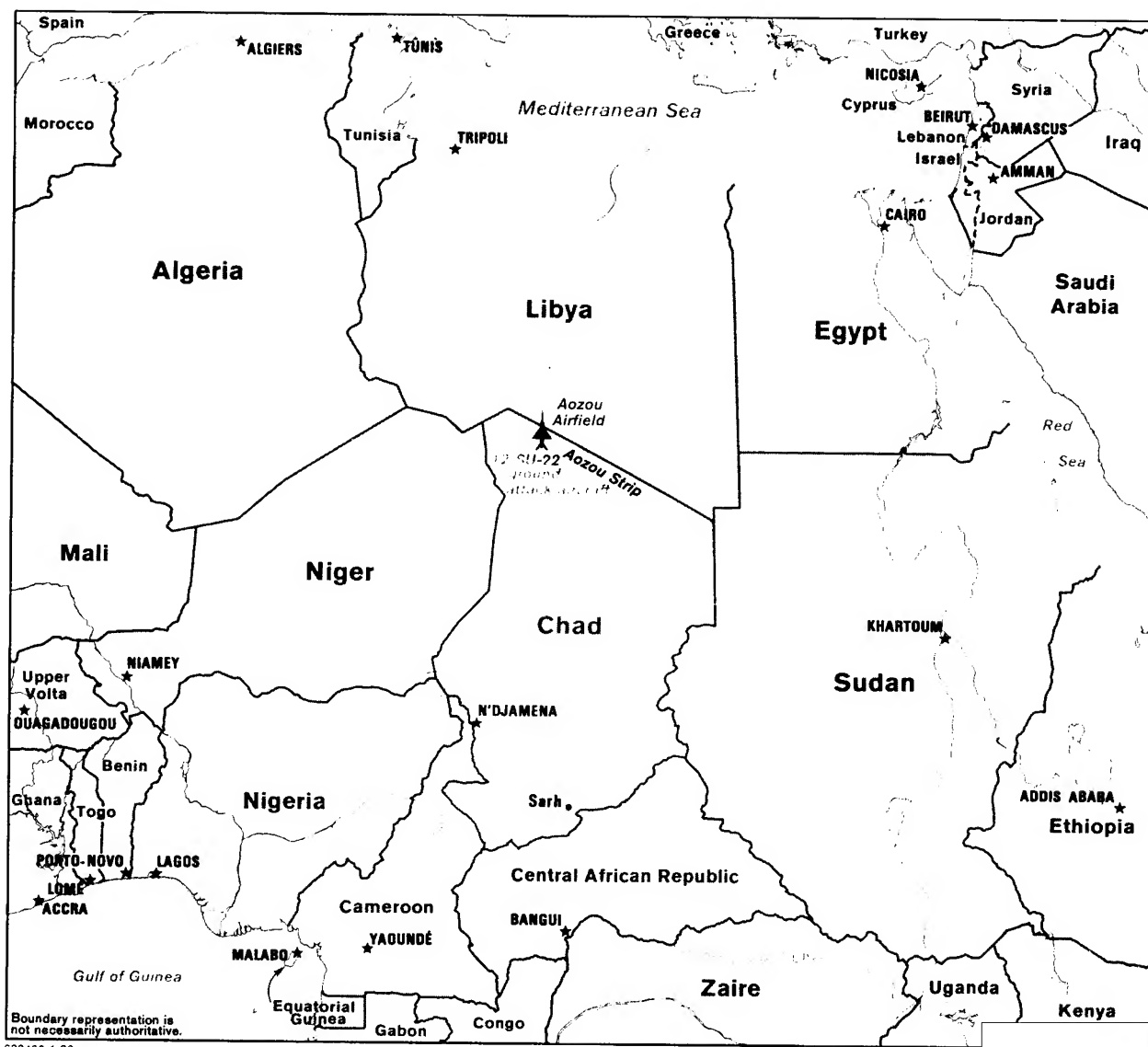
Kohl's government supports French opposition to a consideration of France's nuclear forces in the INF talks. This position, which West German officials publicly have said is vital to preserving French - West German solidarity, is prompted by the government's desire to emphasize its rejection of divisive Soviet tactics. It also reflects the government's differences with Social Democratic leaders, who argue French nuclear forces should be taken into account in the INF talks. [redacted]

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CHAD-LIBYA: Anticipated Dissident Attacks

President Habre intends to ask the UN Security Council to condemn Libya's occupation of the Aozou Strip, as Libyan-backed dissidents prepare for operations in northern Chad.

A spokesman for Habre says an offensive by dissidents led by former President Goukouni is expected by February, and the UN resolution would focus attention on Chad's difficulties.

The US Embassy in N'Djamena reports tension there has increased following recent overflights by what are believed to be Libyan aircraft and false claims by Libyan media of mutinies in the capital.

According to US Embassy reports border authorities in the Central African Republic, Cameroon, and Nigeria are trying to prevent dissident attempts to infiltrate southern Chad from those countries.

France reportedly plans a combined exercise with troops of the Central African Republic along the southern Chadian border in order to discourage Chadian refugees there and Libyan military advisers near Bangui from fomenting trouble. French officials say they have asked Ivory Coast, Gabon, and Togo to provide arms to Habre from stocks the French will replenish.

Comment: The Libyans do not appear ready for major ground operations in Chad.

Recent deliveries of arms and ammunition to Habre from Egypt and Sudan will help in the short run, but his government would be hard pressed to survive in the face of major dissidence on two fronts. The loyalty of forces now allied with Habre is questionable, and his own northerners are lightly equipped, overextended, and suffer from severe transport, communications, and logistic difficulties.

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POLAND: More Food Problems Ahead

An unprecedented meeting of leaders of the Communist and the United Peasant Parties that begins today seems intended to obtain greater farmer support for the regime's agricultural policies but is unlikely to take any dramatic steps toward solving the country's food problems. [redacted]

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Polish press reports indicate the grain prospects for this year are already disappointing. Twelve percent less winter grain was sown last fall than in 1981, and unfavorable fall weather could force the replanting of many of the fields. [redacted]

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The government will face flour shortages soon because of the reduction of grain imports and because farmers have sold the state only 50 percent of the needed amount of grain. Meat shortages also will increase in the spring. Late last year many farmers slaughtered their livestock prematurely as a result of feed shortages and the unprofitability of livestock raising. [redacted]

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Comment: Officials at the meeting probably will disagree about how to cope with the grain shortages. Some may argue for increased imports of Western grain or for raising procurement prices as an incentive for farmers to deliver grain to the state. [redacted]

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Others may recommend compulsory deliveries, as the government threatened last year. Recent press comments suggest, however, that the regime is not inclined to follow that course. [redacted]

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The meeting could give rise to criticism of Premier Jaruzelski. Some party hardliners may be uncomfortable with his tactic of using the meeting to give the appearance of consultation on key social issues. In addition, there were indications the session originally was to have considered ideological questions, in which the more pragmatic Jaruzelski seems to have little interest. [redacted]

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USSR-TURKEY: Tension Over Transit Fee

3 The USSR's refusal to pay Turkey the tenfold increase in fees for merchant ship transits of the Bosphorus is causing a vigorous argument between the two countries and may lead to the impoundment of a Soviet merchant ship.

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2 Diplomatic and press sources indicate the UK and Bulgaria also plan to protest the fees.

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3 Comment: The Turkish courts, which may have been constrained until now by the Foreign Ministry, probably will move soon to impound a Soviet merchant ship. Such an action would provoke a strong protest from the USSR, possibly including yet another call for a revision of the Montreux Convention, but it might persuade the Soviets to pay the higher fees temporarily.

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3 Formal protests from the UK and other allies would be taken seriously in Ankara and might speed the process of finding a compromise fee that would give Turkey just compensation for the services it provides. Turkey and other Western countries are unlikely, however, to agree to any negotiating framework that would give the USSR an opportunity to seek a broader revision of the Convention. A revision could lead to restrictions on international access to the Black Sea.

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9 WESTERN EUROPE - US: Visit of EDU Delegation

The European Democratic Union delegation that arrives in Washington on Monday represents a group of conservative West European political parties that is trying to establish itself as a counterweight to the Socialist International. [REDACTED]

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Comment: The EDU, which was organized in 1977, provides an international forum for the French Gaullists, British Tories, West German Christian Democrats, and other conservative parties. Most affiliated parties believe membership gives them publicity and prestige that will improve their political prospects. The Italian and Benelux Christian Democrats participate only as observers, however, because they apparently fear formal association with the more rightist members would make them vulnerable to political attack. [REDACTED]

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1-3 The EDU supports the maintenance of NATO, individualism, and free market economies. At its annual conference last year, the union called for a restoration of the military balance in Europe, endorsed the INF and strategic arms negotiations in Geneva, and favored international sanctions against states that abet terrorism. Partly because the members are reluctant to coordinate policies within the organization, however, the Union so far has failed to exert noticeable influence on the policies of West European governments. [REDACTED]

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Union President Mock, who also is Chairman of the Austrian People's Party, probably will discuss the group's plans for this summer to organize an international democratic union. The new group would link the EDU with the newly formed Pacific Democratic Union--comprising right-of-center parties from Japan, Australia, and New Zealand--and a prospective North American democratic union. [REDACTED]

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The European group hopes the proposed worldwide body would become a counterweight to the Socialist International on global and North-South issues. An international democratic union probably would be less influential than the Socialist International, however, because it would have far fewer Third World affiliates. [REDACTED]

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IRAQ: Seeking Financial Relief

Iraq's cash squeeze has forced it to seek deferred payments on military contracts and financing for civilian imports.

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The main purpose of Deputy Prime Minister Aziz's trip to Paris last week was to request payment deferments from France for arms purchased earlier, according to the US Embassy in Paris.

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Comment: Most exporters probably will go along with Iraq's requests to allow it to defer payments in the hope that Iraq's economic situation eventually will improve and because there is not much they can do to force payment anyway. There is optimism that business will be good in Iraq after the war as long as the Ba'th Party remains in power.

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Iraq can do little now to augment its foreign exchange earnings. Because of the closure of the pipeline through Syria last April, oil revenues will be even lower this year than last. Iraq's foreign exchange reserves have plummeted from \$21 billion at the beginning of 1982 to about \$5 billion--the equivalent of less than three months' worth of imports.

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The Persian Gulf states will find it more difficult to provide Iraq with the \$5.5 billion they gave last year because of their own financial situation. A weak world oil market also will prevent them from selling much oil for Iraq.

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USSR-US-SYRIA: Soviets and Syrians Comment on SA-5s

The Soviets and Syrians both responded publicly yesterday to a US statement of concern over the deployment of new air defense missiles in Syria. TASS condemned the US statement and claimed the US and Israel were acting together to keep Israel's neighbors defenseless. These comments follow Soviet efforts over the last week-- [redacted] to present the deployment as a defensive measure by Syria. Damascus radio quoted a letter sent to the UN by Foreign Minister Khaddam, which claimed Israel was planning to use the new deployments as an excuse to attack Syria and accused the US of collusion. [redacted]

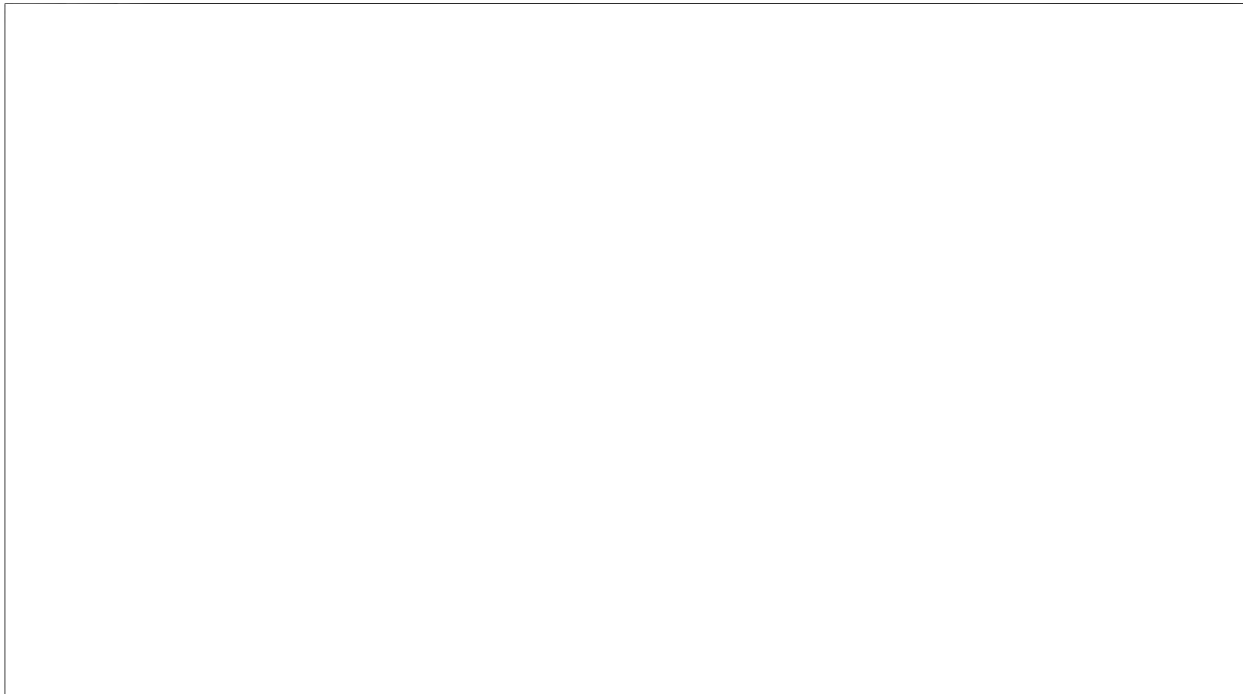
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Comment: Moscow is portraying the installation of SA-5s, without mentioning them specifically, as a purely Syrian move. The emphasis on Syria's right of self-defense is designed to justify the Soviet action and to put the onus on Tel Aviv in the event of a preemptive attack by the Israelis. [redacted]

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USSR-AFGHANISTAN: Shortages in Kabul

Electrical power, diesel fuel, gasoline, and food in Kabul are in shorter supply than during recent winters, according to the US Embassy. Many stores and industries are closed for lack of power, gas lines are long, and even wealthier neighborhoods are subject to brownouts.

The Embassy reports public resentment over the shortages is aimed at Soviet and Afghan authorities.

Comment: Insurgent attacks against electric transmission lines, fuel pipelines, and truck convoys from the USSR are the main reasons for the energy and food shortages. The situation has been aggravated by private purchases of diesel fuel for use as heating oil following a power blackout late last month.

THAILAND: Impasse Over Constitutional Changes

The US Embassy in Bangkok reports a standoff between Commander in Chief General Athit and leaders of the main political parties over Athit's efforts to push through constitutional amendments to preserve the power of the military in parliament. As of yesterday, none of the leaders had signed the motion for a special session of the National Assembly to consider the amendment.

Comment: The stalling tactics of the civilian politicians are not likely to last long.

Although military action is still a possibility, Athit has several alternatives to force acceptance of the amendments. For example, he could call on members of the military-dominated Senate to sign the motion.

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ECUADOR-PERU: Border Incident

Ecuador's protest to Peru over a minor border clash on Tuesday will add to growing tensions between the armed forces of the two countries. The incident did not occur in the disputed territory that was the scene of major fighting two years ago, and neither side suffered casualties. [REDACTED]

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Comment: For two months, Peru's Army--contending that Ecuadorean troops were in the disputed territory--has been preparing to send in forces. Even though the fact that the clash was outside this area made it much less serious, Peruvian President Belaunde and cooler heads in the military will have a tough time restraining aggressive officers who may now call for a show of force in the disputed zone. The incident should revive lagging efforts to convene international guarantors in Brazil. [REDACTED]

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MEXICO: Leftists in Disarray

Discontent in the Unified Socialist Party over the leadership's failure to exploit the economic crisis could lead the smaller partners to leave the coalition.

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Comment: Collaboration among opposition leftists may have peaked last year with their coalition effort in the elections, in which they made a poor showing. President de la Madrid's policy of open communications with Communist and other opposition leaders may create more divisions among the left. Recent moves by the coalition's leaders to establish close ties with the Chinese--given the apparent pro-Moscow sympathies of the dissidents--could bring intraparty tensions to a head. [REDACTED]

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